

**MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE
CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND**

December 18, 2014

City Council's Conference Room/Tenth Floor

9:00 a.m.

Members: JoAnn Armstrong (E), Bill Eastburn (E), Art Gudikunst (X),
Philip Hatchett (X), Frank James (X), Bobby Lanier (X),
Robert Lee (X), Zoe Lumpkin (X), Richard Wuska (X).

Staff: Rich Caplan (X), Marty Eubank (E), Bill Keeler (X),
Cathy Matthews (X), Tom Mitchell, (X) Tonya O'Connell (X).

Others Present: Rob Churchman, Auditor, Cherry Bekaert
Rich Elofson, Member of the Investment Committee
Member in Case #25461 and guest
Retirees (2)

1. Call to Order.

Mr. James called the Retirement Board meeting to order at 9:05 a.m. on December 18, 2014 in the City Council's Conference Room, 10th Floor.

He welcomed Retirement Board member, Ms. Lumpkin, General Employee representative since he was unable to welcome her at the last meeting.

2. Minutes of the Meeting of November 20, 2014:

The minutes were approved as submitted.

3. Auditor's presentation of June 30, 2014 Audit Report:

Rob Churchman, Partner with Cherry Bekaert, the auditor for the City and for the Retirement and OPEB Funds, presented a report on the audit of the FY 2014 Consolidated Audited Financial Report for the NNERF and OPEB Funds. Mr. Churchman noted that the audit for fiscal 2014 was in accordance with accounting principles generally accepted in the United States. He further reviewed the audit methodology, the significant audit areas, and the required auditor's communication with the Retirement Board. One of the required communications was the adoption of Governmental Accounting Standard Board (GASB) Statement #67 and #68, which requires that the net pension liability be reported on the balance sheet of the City in fiscal 2015. The new statements do not affect the OPEB fund at this time.

Mr. Churchman indicated that their opinion on the FY 2014 financial statements would be unmodified, or "clean".

4. Committee on Investments:

a. Assets as of November 30, 2014:

Pension	\$841,613,442
Post Retirement	<u>25,821,690</u>
Total	<u>\$867,435,132</u>

b. Reduce Small Cap Managers

Mr. Gudikunst reintroduced recommendations to the Board about reducing some asset classes and increasing others which were discussed at the Board meeting in November but were not acted on by the Board.

Approved Upon motion duly made and seconded, the Board unanimously agreed to reduce the three small cap active managers to \$21 million each and move the excess of approximately \$19 million to the small cap passive index fund held by Mellon Index and the difference to the mid cap active managers LSV Asset Manager and Federated Advisors.

Approved Upon motion duly made and seconded, the Board unanimously agreed that approximately \$20 million be moved from the short term cash account to fund the mid cap active managers LSV Asset Manager and Federated Advisors.

c. Reallocating Funds

The Board discussed and agreed to reallocate \$106.8 million from current managers to align the fund with the approved asset allocation with the recommendation that if the funds are not available at the time of the private equity investments capital calls, staff has been directed to pull the necessary funds from Mellon Large Cap Index Fund and replenish the index fund when the funds are available.

Approved Upon motion duly made and seconded, the Board unanimously agreed to recommend reallocating funds from current managers to align the Fund with the approved asset allocation. The required reductions from the current managers are: Aberdeen Emerging Manager \$16.1 million, Morgan Stanley Emerging Market \$9.2 million, Richmond Capital \$9.2 million, StoneRidge Investment \$37.4 million, DRZ \$16.8 million, and Fiduciary \$18.1 million. The funds taken from the current managers will be used to fund the following new managers and investments: Federated Mid Cap Manager \$19 million, LSV Mid Cap Manager \$19 million, Mellon Mid Cap Index \$25 million, Mellon Large Cap Index \$18.8 million, and \$25 million to Short Term Investments held by State Street to fund future capital calls by the private equity managers. It is further approved that if funds are not available at the time of capital call, staff has the authority to pull the necessary funds from Mellon Large Cap Index Fund and replenish the index fund when the funds are available.

d. Private Equity Managers

The Committee confirmed the decision of the Board at the November meeting and recommended to the Board to reconfirm the private equity managers approved in November.

Approved Upon motion duly made and seconded, the Board unanimously agreed to proceed with an investment in Blackrock Diversified Private Equity Program V, Option #1, of up to \$25 million.

Approved Upon motion duly made and seconded, the Board unanimously agreed to proceed with an investment in Landmark Equity Partners XV, L.P., of up to \$25 million.

5. Committee on Administration:

Mr. Hatchett reported that the Administrative Committee has some projects they will consider for 2015. He also remarked about administration expenses of the Fund and reported that the cost of the administering the Pension Fund declined significantly from 2013 to 2014, largely due to the decrease in legal and actuarial fees. He also noted that the Committee will be working with staff in February on the budget for the two Funds.

6. Disability Review Committee:

a. Case #25461

Closed Session to discuss an applicant's disability retirement and partial disability benefits

A motion was made by the Chairman of the Newport News Employees' Retirement Fund, which was duly seconded, and unanimously approved that pursuant to Section 2.2-3711A. of the Code of Virginia, 1950, as amended, Subsections 4, 7 and 15, that the Retirement Board hold a Closed Meeting for the purpose of discussing applicants for disability retirement and partial disability benefits. The Closed Meeting is authorized under:

Subsection (4) for the protection of privacy of individuals in personal matters not related to public business.

Subsection (7) consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

Subsection (15) discussion or consideration of medical and mental health records excluded from disclosure pursuant to Section 2.2-3705.5 (1).

After coming back into Open Session, the Chairman of the Newport News Employees' Retirement Fund moved, which was duly seconded, and unanimously approved, that the members of the Retirement Board certify that to the best of each member's knowledge, (1) only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act were discussed during the closed meeting held immediately prior to reconvening in this open meeting, and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the aforementioned closed meeting of the Retirement Board.

Approved Upon motion duly made and seconded, the Board unanimously agreed to deny total disability retirement and partial disability benefits in Case #25461 based on City Code, Section 31-58 Nonoccupational disability retirement for partial disability, and Section 31-57 Nonoccupational disability retirement for total and permanent disability.

7. Benefits & Welfare Committee:

Mr. Gudikunst mentioned that the Committee will be reviewing medical benefits for OPEB.

Mr. Mitchell stated that in 2015, members will be looking at other insurance options which may be available for Pre 65 retirees in order to lower their premium cost.

8. Old Business:

a. Reappointment of Board Members

Mr. Mitchell announced that Mr. Goodson will not be replacing Mr. Hatchett on the Retirement Board as Mr. Hatchett's term has not expired as previously announced. Additionally, all members have agreed to continue to serve on the Board and/or Committee on Investments. Members should receive a letter from the City Clerk's Office regarding the reappointment.

b. Public Utilities' Representative

The ballot count was completed for the election of the Public Utilities' Representative on the Retirement Board. Richard Wuska was re-elected to serve another 5-year term, receiving 75% of the votes. A request was sent to notify Public Utilities' employees of the results.

9. New Business:

a. Retiree Comments

Ms. O'Connell was thanked for attending the monthly breakfast. Concerns were raised about the decision to not increase the COLA. It was explained that a COLA increase would result in a significant increase in the unfunded actuarial liability to the Fund.

b. Excused Absence from Board Meeting

Ms. Armstrong, Mr. Eastburn and Mr. Eubank asked to be excused due to a prior commitment.

c. Next Meeting

January Board meeting will be **Thursday, January 29, 2015.**

10. Adjournment:

There being no further business to come before the Board, the meeting adjourned at 11:20 a.m.

A true copy, attest:



Tom Mitchell, Secretary
Board of Trustees